

QUARTERLY BULLETIN

31 March 2008

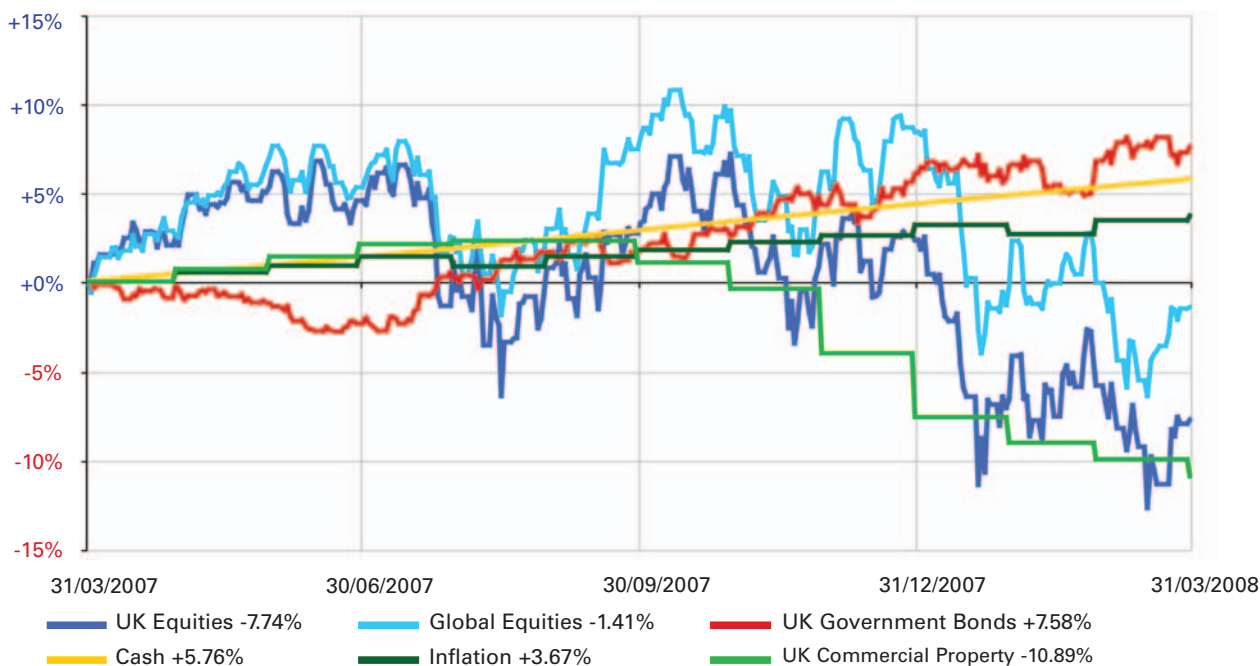


for Charities

Market Review and Outlook

Markets at a Glance - 12 Months to 31 March 2008

Equities, bonds, cash and property - 1 year returns



Sources: Bloomberg, IPD, CCLA: FTSE All-Share Total Return Index, FTSE All-World Total Return Index, FTSE UK Govt All-Stocks Total Return Index, IPD Monthly Total Return Index*, 7 Day LIBID, Retail Price Index* (*March return estimated by CCLA).

Market Review & Outlook

- Clouds gathered over investment markets at the start of the year as investors became more pessimistic for both the growth prospects for the world economy and the likely effects of the credit crunch. January saw volatile conditions with equity prices moving sharply lower over the month. The catalyst was concern over economic trends in the USA as estimates of fourth quarter growth emerged at just 0.6%. This is an erratic data series, but the contrast with the 4.9% expansion in the third quarter was clearly unsettling.
- The US authorities demonstrated their commitment to addressing the crisis with an economic package to help consumers and with two cuts in interest rates. A positive effect of this was a more stable investment environment in February.
- In March, however, confidence was rattled again by the collapse of Bear Stearns, a major US investment bank, which underlined fears of further problems in the financial system. Despite another cut in US interest rates, investors simply lacked enthusiasm to take markets higher and most equity indices edged down.
- In fixed income markets, government stocks made some headway, pushed higher by investors seeking respite from the equity environment, but risk concerns meant that corporate bonds did less well. Property remained under downward pressure although the pace of decline diminished.
- Looking ahead, we expect to see a further slackening in the rate of expansion in the world economy. There is a chance that the United States will experience a recession. Emerging economies will do better but are unlikely to avoid entirely a slowdown in their major customers.
- Much will depend on how the financial crisis develops. We have seen a strong commitment by the authorities in the US to take the steps necessary to ease the situation. These actions will slow the pace of reduction in activity and help avoid 'accidents' along the way, they will not change the overall trend though; the economy has grown too quickly for many years and now needs to adjust to a gentler pace.
- Whilst investment markets have become more pessimistic about the future, away from the financial sector trading has remained as normal for many companies. With share prices lower but profits growing, equity markets should find support on a valuation basis.
- In fixed interest markets we remain concerned that too little attention is being given to the risk that inflation could stay a problem for the medium term. We expect to maintain a defensive strategy.
- In the property sector the downward pressure on prices has reduced but it is too early to expect a rising trend. Our emphasis will be on the quality and level of income and on properties where we can create value by management activity.
- The COIF Investment Fund has maintained a diversified portfolio over the period. The Fund holds a careful balance of domestic and international shares, property, government bonds and new investments such as infrastructure. It remains an appropriate choice for both current and future beneficiaries. Over the period the income payable rose by 10%, substantially above the rate of inflation.

Distributions for the Quarter

COIF Charities Fund	Distribution per Income Unit	Payment Date	
Investment Fund	8.8p	30/05/08	<ul style="list-style-type: none"> The payment represents a 10% increase on the payment for the comparable period of 2007. The dividends for the past four quarters amount to 38.3p per Income Unit, compared with 37.5p per Unit for calendar year 2007. We expect that the payment for the year as a whole will show growth significantly above the level of inflation.
Global Equity Income Fund	1.3p	30/05/08	<ul style="list-style-type: none"> This is the first full quarterly payment to investors following the launch of the Fund in December 2007. The Fund is comfortably on track to pay investors a yield of at least 4% based on the launch price of 150p per Income Unit. The estimated annual distribution for the full year is 6.0p per Income Unit.
Fixed Interest Fund	1.8p	30/05/08	<ul style="list-style-type: none"> The payment to investors is unchanged on the comparable period of 2007. Based on an Income Unit price of 125.84p and a projected annual distribution of 7.2p, the income yield on the Fund is 5.72%. The corresponding gross redemption yield is 4.42%*.
Property Fund	1.7p	30/05/08	<ul style="list-style-type: none"> The payment represents an increase of 6.25% on the payment for the comparable period of 2007. The dividends for the past four quarters amount to 6.8p per Income Unit. The payment for calendar year 2007 was 6.7p per Income Unit. We expect further increases in income payments over the course of the current year.

*The gross redemption yield indicates what the total return would be if the Fund's investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised. Please note that forecast annual income and income yields are not guaranteed and will change over time due to changes in interest rates and the securities held by a fund.

Interest for the Quarter

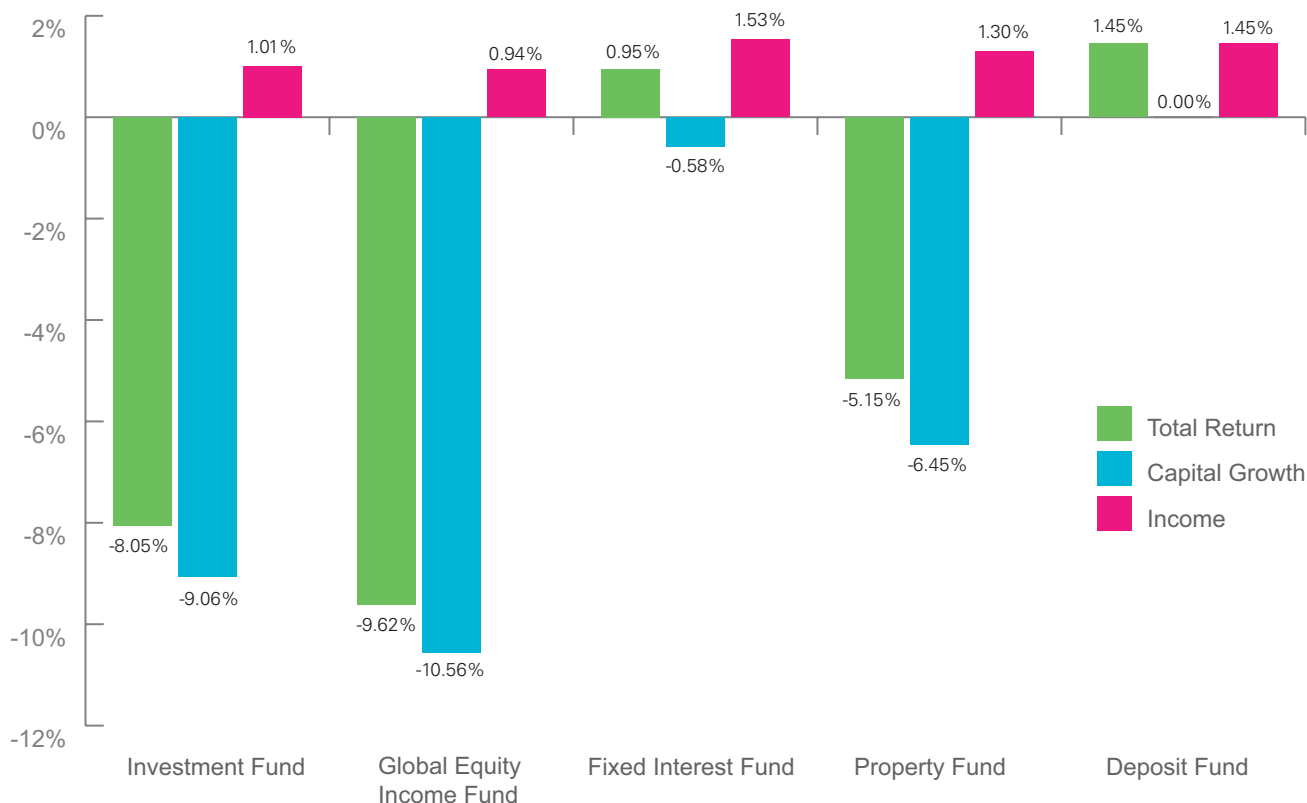
COIF Charities Deposit Fund

Average interest rate over the quarter	5.59% (5.71% A.E.R.)**	<ul style="list-style-type: none"> The interest rate payable on the Fund is dependent on the rates payable on the UK Money Markets. We expect that the Bank of England will reduce the Official Bank Rate over the course of 2008.
Interest rate at the quarter end	5.35% (5.46% A.E.R.)**	

**A.E.R. = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

Fund Performance

COIF Charity Funds over the Quarter (gross)



Source: CCLA. Gross returns before management fees and expenses. Please note that past performance is no guarantee of future returns. Investments in long term funds can go up and down in value and you may not get back the amount originally invested.

Performance Comment

COIF Charities Investment Fund

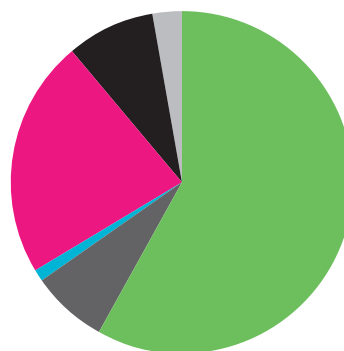
- In a difficult and challenging period for investment markets the Fund has slightly underperformed the WM Universe. Overall returns have been negative. The income payment to investors (8.8p, an increase of 10%) has risen at a rate well above the rate of inflation.
- In the domestic equity portion of the portfolio our stock selection was a positive contributor to returns but the UK market overall was a relatively poor performer in an international context.
- In international markets we had strong success in the Asian Pacific sector but underperformed in Europe.
- The property holdings within the Fund declined in value but at a slower pace than in the final quarter of 2007.
- Over the period we continued to add to the holdings in infrastructure and private equity, areas which provide a good income flow, attractive longer term returns and additional diversification to the overall Fund.

Longer term total return performance (gross) 12 months to end March:

	2008	2007	2006	2005	2004
Fund	-4.8%	+8.9%	+25.3%	+13.7%	+20.8%
Benchmark	-3.8%	+7.9%	+25.2%	+13.2%	+23.4%

Benchmark - WM Co. CFS Universe, Total Assets (Current Quarter Estimated)

Asset Allocation as at 31 March 2008



Overseas Equities %

Europe	7.6
USA	7.5
Japan	2.7
Pacific Ex Jap	3.9
Other	0.6
Total	22.3

UK Equities 58.3%	Overseas Equities 22.3%
Fixed Interest 7.1%	Property 8.5%
Infrastructure 1.2%	Cash 2.6%

Source: CCLA. Performance shown before management fees and expenses: net returns will differ after the deduction of fees and charges. Please note that past performance is no guarantee of future returns. Investments in long term funds can go up and down in value and you may not get back the amount originally invested.

Performance Comment (cont)

COIF Charities Global Equity Income Fund

- The Fund has produced a return broadly in line with a representative group of indices.
- The background to the period has been one of marked volatility within investment markets with the financial sectors a particular feature, despite this the Fund's exposure to this area have performed well.
- Housing related stocks in the US have done less well, despite having already lost substantial ground last year.
- Income is on target for the year.

COIF Charities Fixed Interest Fund

- The period has seen continued support for fixed interest stocks from investors seeking the security of lower risk assets at a time of increased uncertainty in investment markets.
- Against this background it is government securities (gilts) which have performed best. Corporate bonds fared less well as investors demanded higher income flows to compensate for perceived higher levels of risk.
- The Fund has produced returns above those of the benchmark. This reflects the focus on quality within the portfolio.
- We have retained the exposure to corporate bonds as we believe these offer very good value at current depressed prices.

COIF Charities Property Fund

- Commercial real estate prices have continued to weaken in the first quarter of 2008 although the pace of decline moderated over the period.
- Over the three months to the end of March, the Fund underperformed the benchmark due to the returns from the office sector.
- The decline in the value of the fund overall reflects the general weakness in the property investment market and with transaction activity slight, a degree of caution evident in valuations.
- The Fund successfully sold an investment property in Olaf Street at a price above valuation, providing a positive contribution to overall performance.

COIF Charities Deposit Fund

- The Fund achieved a return of 1.45% over the quarter, which was slightly ahead of the inter-bank wholesale benchmark rate.
- Against a background of falling official interest rates the daily interest rate paid to investors declined gradually over the period to end at 5.35% (5.46% AER)*.

Past performance data will be shown once the Fund has existed for 12 months.

Longer term total return performance (gross) 12 months to end March:

	2008	2007	2006	2005	2004
Fund	+6.8%	+0.8%	+7.1%	+5.5%	+3.1%
Benchmark	+5.7%	+1.4%	+6.9%	+5.5%	+3.1%

Benchmark – WM Co. CFS Universe, UK Bonds (Current Quarter Estimated)

Longer term total return performance (gross) 12 months to end March:

	2008	2007	2006	2005	2004
Fund	-10.8%	+19.3%	+17.2%	+16.2%	+12.6%
Benchmark	-9.2%	+15.8%	+20.5%	+17.0%	+12.8%

Benchmark - IPD Monthly & Quarterly Valued Funds Excluding the Smallest & Largest 5% (Current Quarter Estimated)

Longer term total return performance (gross) 12 months to end March:

	2008	2007	2006	2005	2004
Fund	+6.0%	+5.0%	+4.7%	+4.7%	+3.7%
Benchmark	+5.8%	+4.9%	+4.6%	+4.6%	+3.6%

Benchmark – 7 Day LIBID

*A.E.R. = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

Strategy and Outlook

COIF Charities Investment Fund

- The Fund maintained a high exposure to equities and property over the period. These assets are expected to give excellent long term returns and protection against inflation. The holdings in fixed interest securities and in cash are relatively underweight.
- We continued our policy of reducing the exposure to UK equities in favour of a greater allocation to markets overseas. In our view, the enhanced allocation to international investment increases the opportunities to generate attractive long term returns and reduces the risks that arise from too great an exposure to a single market.
- Within the equity holdings our focus is on finding companies with strong free cash flows and robust balance sheets. This is a prudent long term approach and is particularly appropriate at a time of increased risk and uncertainty in the world economy.
- The equity exposure will be diversified by holdings in property and fixed interest markets and with an increasing allocation to areas such as infrastructure and private equity which have attractive long term potential.
- An important focus for both the equity and property portfolios will be to increase the income payable to our investors. In the fixed interest sector we will focus on quality, with an emphasis on shorter dated maturities as these are most secure from an increase in inflation.

COIF Charities Global Equity Income Fund

- The focus of the portfolio is on companies with an attractive yield which have the scope to increase dividends in the future. Stock selection is at the heart of the investment process and is the main factor which determines sector weighting and country exposure.
- The diversified portfolio of over 100 stocks is broadly spread on a geographical basis and is able to take exposure to sectors which have only a small weighting in the domestic equity market.
- Recent market weakness has created attractive investment opportunities at good yields.
- The Fund is on track to produce the target yield of 4% based on the price at launch.

COIF Charities Fixed Interest Fund

- We believe there is too little focus in fixed interest markets on the risk that inflation becomes established at or above current levels. For this reason we are cautious towards the prospects for stocks with long periods to maturity as it is these which would be most effected by rising price pressures.

- Another concern is that a powerful source of support for this area of the market, the high levels of demand from pension funds and sovereign wealth funds, could decline over the course of 2008.
- Corporate bonds have endured a severe and extended period of underperformance and have now reached levels where the income yields on selected issues are very attractive. We have therefore increased our exposure to the corporate bond sector and will add further if the correct opportunities can be found.

COIF Charities Property Fund

- Although there are signs of good value emerging across the sector, we expect the downturn in property values to continue at least until the summer.
- Against this background our strategy is to seek superior returns from properties with good rental growth prospects and which have the potential to benefit from active management.
- Cash weightings have been raised by disposals from the portfolio, achieved at attractive prices despite current sector weakness.
- We intend to increase further the income paid by the Fund and are placing greater emphasis on the level and quality of rental income.

COIF Charities Deposit Fund

- Our strategy for the Deposit Fund has been to maintain a diversified exposure to a range of high quality borrowers. The bulk of the investments are short notice but opportunities are taken from time to time to invest for longer periods where this provides a reasonable boost to income.
- A strong emphasis on capital security has been maintained, based on a strict focus on borrower quality and diversification across a broad list of top quality institutions.
- The Fund maintains a Aaa (triple A) rating from Moody's, the highest available from that agency.
- We expect further cuts in interest rates over the balance of 2008 as the Bank of England responds to a slower pace of economic growth and the pressures on the banking sector from the credit crunch.

Responsible Investment Report

Our work has three strands -

- 1 Engagement on issues of corporate social responsibility with a view to optimising long term economic returns.
- 2 Engagement on corporate governance to protect and enhance shareholder value.
- 3 Setting appropriate constraints on investment and exposure to activities considered unacceptable by the independent Board.

1. Corporate Social Responsibility (CSR)

Key issues that we have covered over the last three months include

- Alcohol. We have written to the Rt Hon John Hutton, MP, with regard to Tesco's call on Government to intervene in supermarkets selling loss-leading alcohol in their stores as a means to attract customers. We were particularly encouraged by Tesco's public stance as it complements our engagement with the supermarkets on the issue of alcohol sales in the context of the rise in binge drinking.
- Censorship. We have engaged with technology companies on the potential reputational damage arising from complicity in censorship instigated by host governments, such as China.
- Supply Chain. We continued our meetings with the major supermarkets to address the issue of local sourcing following the publication of our report "Fairtrade begins at home: Supermarkets and the effects on local farming livelihoods".
- Human Rights. The issue of human rights is increasing in importance for our clients. We continue our dialogue with companies over their human rights policies. During the quarter, we have had discussions on Zimbabwe, Sudan, Burma and Columbia.

2. Corporate Governance

- CCLA opposed one resolution during the quarter at BP. The payment of substantial retention bonuses to two executives does not reflect best practice, and we continue to re-iterate concerns regarding potential awards available under the long-term incentive plan, given the very narrow comparator group used.
- Proxy voting statistics can be found at www.ccla.co.uk.
- During 2007 the Manager engaged with 44 companies (42 in 2006) on corporate governance issues, achieving an 84% response rate.
- Issues raised with management included remuneration reports, long-term incentive schemes and board balance concerns. Of replies received (37), CCLA judged that 86% were qualitative in nature. Seven companies failed to reply after a reminder. These included Carnival Corporation, Carphone Warehouse, ICI and Anglo American.

3. Ethical constraints

- We confirm that the funds are managed in accordance with the constraints and restrictions set by the Board.



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